

PINE HILL WATERWORKS DISTRICT NO. 8**A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana****Financial Statements****As of and for the Year Ended July 31, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **APR 18 2012**

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Financial Statements
And Independent Auditor's Reports
As of and for the Year Ended July 31, 2011

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INDEPENDENT AUDITOR'S REPORT

WILLIAM E. WEATHERFORD, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Pine Hill Waterworks District No. 8 of the Parish of Caddo
Shreveport, Louisiana

I have audited the accompanying financial statements of the business-type activities of the Pine Hill Waterworks District No. 8 of the Parish of Caddo, Shreveport, Louisiana, a component unit of the Caddo Parish Commission, as of July 31, 2011, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I express no such opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pine Hill Waterworks District No. 8 of the Parish of Caddo, Shreveport, Louisiana, as of July 31, 2011, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report, dated April 2, 2012, on my consideration of the Pine Hill Waterworks District No. 8 of the Parish of Caddo, Shreveport, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Pine Hill Waterworks District No 8 of the Parish of Caddo, Shreveport, Louisiana, has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Although not required to be part of the basic financial statements, such information is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

My audit was conducted for the purpose of forming opinions on the financial statements of the Pine Hill Waterworks District No 8 of the Parish of Caddo, Shreveport, Louisiana taken as a whole. The accompanying financial information listed as "supplementary information" in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

William E. Weatherford, CPA, LLC

William E. Weatherford, CPA, LLC
Certified Public Accountant
April 2, 2012

BASIC FINANCIAL STATEMENTS

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Statement of Net Assets

July 31, 2011

<u>Assets</u>	
Current assets	
Cash and cash equivalents	
Cash, demand and time deposits	\$ 45,878
Receivables	
Accounts, net of uncollectibles	144,484
Prepaid expenses	12,731
Total current assets	<u>203,093</u>
Restricted Assets	
Cash and cash equivalents.	
Demand deposits	233,204
Investments	148,975
Total restricted assets	<u>382,179</u>
Non-current assets.	
Capital assets (net of accumulated depreciation)	1,720,219
Refundable deposits	50
Total non-current assets	<u>1,720,269</u>
Total assets	<u>2,305,541</u>
<u>Liabilities</u>	
Current liabilities	
Accounts payable	78,118
Payroll taxes payable	5,457
Employee benefits payable	743
Accrued salaries payable	3,514
Notes and bonds payable- current portion	71,592
Accrued interest payable	6,968
Total current liabilities	<u>166,392</u>
Noncurrent liabilities.	
Notes and bonds payable- noncurrent portion	1,324,320
Customer deposits	74,360
Total noncurrent liabilities	<u>1,398,680</u>
Total liabilities	<u>1,565,072</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	324,308
Restricted for debt service	269,003
Unrestricted	147,158
Total net assets	<u>\$ 740,469</u>

The notes to the financial statements are an integral part of this statement
See the accompanying independent auditor's report

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended July 31, 2011

Operating Revenues	
Charges for services	
Water sales	\$ 863,910
Other operating revenues	48,620
Total operating revenues	<u>912,530</u>
Operating Expenses	
Cost of sales and services	
Water purchased	270,904
Repairs and maintenance	114,219
Salaries and related expenses	97,039
Well site rental	28,044
Utilities	26,433
Truck and travel	17,279
SDWA Fees	4,300
Inspection and testing	2,553
Other	3,933
Total cost of sales and services	<u>564,704</u>
General and administrative	
Office salaries and related expenses	99,426
Legal and accounting	28,970
Insurance	19,355
Utilities and telephone	11,417
Office supplies	9,716
Postage	7,067
Travel	6,422
Meetings - Per Diem	4,740
Bank charges	3,267
Security Expense	2,517
Conferences and seminars	1,200
Other	793
Dues and memberships	739
Repairs and maintenance	460
Total general and administrative	<u>196,089</u>
Depreciation	<u>99,477</u>
Total operating expenses	<u>860,270</u>
Operating income (loss)	<u>52,260</u>

The notes to the financial statements are an integral part of this statement
See the accompanying independent auditor's report

PINE HILL WATERWORKS DISTRICT NO. 8

**A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana**

**Statement of Revenues, Expenses and
Changes in Net Assets**

For the Year Ended July 31, 2011

Non-operating Revenues (Expenses)	
Interest earnings	2,298
State grants	59,873
Theft restitution	821
Interest- bond	(56,257)
Total non-operating revenues (expenses)	<u>6,735</u>
Change in Net Assets	<u>58,995</u>
Net Assets - beginning of year	<u>681,474</u>
Net Assets - end of year	<u><u>\$ 740,469</u></u>

The notes to the financial statements are an integral part of this statement
See the accompanying independent auditor's report

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Statement of Cash Flows

For the Year Ended July 31, 2011

<hr/>	
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 1,005,221
Payments to suppliers	(559,836)
Payments to employees	(169,526)
Net Cash Provided by Operating Activities	<u>275,859</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from issuance of debt	94,201
Proceeds from state grant	59,873
Principal payments on debt	(79,207)
Acquisition of capital assets	(161,714)
Net Cash Used by Capital and Related Financing Activities	<u>(86,847)</u>
Cash Flows From Investing Activities	
Proceeds from sale and maturity of investments	147,406
Purchase of investments	(148,975)
Restitution	821
Interest received	2,298
Interest paid	(56,529)
Net Cash Used by Investing Activities	<u>(54,979)</u>
Net Increase in Cash and Cash Equivalents	134,033
Cash and Cash Equivalents, Beginning of Year	145,049
Cash and Cash Equivalents, End of Year	<u>\$ 279,082</u>
Reconciliation of Total Cash and Cash Equivalents	
Cash and cash equivalents	45,878
Restricted cash and cash equivalents	233,204
Total cash and cash equivalents	<u>\$ 279,082</u>

The notes to the financial statements are an integral part of this statement
See the accompanying independent auditor's report

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Statement of Cash Flows

For the Year Ended July 31, 2011

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities

Operating income		\$ 52,260
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	99,477	
Bad Debts	(3,597)	
Decrease in accounts receivable	92,691	
Increase in prepaid expense	(1,092)	
Increase in customer deposits	6,110	
Increase in accounts payable	30,717	
Increase in accrued expenses	46	
Decrease in employee benefits payable	(305)	
Decrease in payroll taxes payable	(448)	
Total adjustments		<u>223,599</u>

Net Cash Provided by Operating Activities

\$ 275,859

Noncash investing, capital, and financing activities

None

The notes to the financial statements are an integral part of this statement
See the accompanying independent auditor's report

NOTES TO THE FINANCIAL STATEMENTS

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Notes to the Financial Statements

July 31, 2011

Introduction:

The Pine Hill Waterworks District No. 8 of Caddo Parish, Louisiana (District) was created by the Caddo Parish Commission by as authorized by Louisiana Revised Statute 33:3811. The purpose of the District is to provide water service to the residents of the District. The District is located north of Shreveport, Louisiana and serves approximately 1500 customers. The District is domiciled at 4922 North Market Street, Shreveport, Louisiana. The affairs of the District are conducted and managed by a board of five (5) commissioners appointed by the Caddo Parish Commission as authorized by Louisiana Revised Statute 33:3812. The commissioners of the District serve five year terms.

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District applies all relevant Government Accounting Standards Board (GASB) pronouncements. The District's proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

1. Summary of Significant Accounting Policies:

The accounting and reporting framework and the more significant accounting policies of the District are described as follows:

- A. Reporting Entity – As the governing authority of the parish, for reporting purposes, the Caddo Parish Commission (police jury) is the financial reporting entity for Caddo Parish. The financial reporting entity consists of (a) the primary government (Parish Commission), (b) organizations for which the primary government is financially responsible and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Caddo Parish Commission for financial reporting purposes. The basic criterion for including a potential component unit within a reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

PINE HILL WATERWORKS DISTRICT NO. 8

**A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana**

Notes to the Financial Statements

July 31, 2011

1. Summary of Significant Accounting Policies (Continued):

A Reporting Entity (Continued)

These criteria include

- 1 Appointing a voting majority of an organization's governing body, and
 - a The ability of the Caddo Parish Commission to impose its will on that organization and / or
 - b The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Caddo Parish Commission
- 2 Organizations for which the Caddo Parish Commission does not appoint a voting majority but are fiscally dependent on the police jury
- 3 Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship

As provided by Louisiana Revised Statute 33:3811, the Caddo Parish Commission may, by ordinance, create or abolish the District in its entirety or may change or alter its boundaries. The Caddo Parish Commission appoints the commissioners of the District and the commissioners serve at the pleasure of the Caddo Parish Commission. The Pine Hill Waterworks District No. 8 of the Parish of Caddo was therefore determined to be a component unit of the Caddo Parish Commission, the financial reporting entity. The accompanying financial statements present information only on the fund maintained by the District and do not present information on the Caddo Parish Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

- B Fund Accounting** - The District uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The individual funds account for the resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Notes to the Financial Statements

July 31, 2011

1. Summary of Significant Accounting Policies (Continued):

B Fund Accounting (Continued)

The fund of the District is classified as a proprietary fund. Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The following is the District's proprietary fund type:

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's enterprise fund is

- ***Water Fund*** – Accounts for the provision of water service to the residents of the District. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

C Measurement Focus, Basis of Accounting, and Financial Statement Presentation –

The District has only business- type activities. These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users for goods and services. Measurement focus is a term used to describe "which" transactions are recorded within the financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The basic financial statements of the District are reported using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows.

The amounts reflected in the financial statements use the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with District activities are reported. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund equity is classified as net assets.

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Notes to the Financial Statements

July 31, 2011

1. Summary of Significant Accounting Policies (Continued):

- D Cash and Cash Equivalents and Investments – Cash and cash equivalents include cash on hand, amounts in demand deposits, interest bearing demand deposits, time deposits (certificates of deposit), and short term, highly liquid investments with original maturities of three months or less when purchased. Investments are interest-bearing time deposits with original maturity dated in excess of three months when purchased. Investments are stated at cost, which approximates market value.

The District's investments comply with Louisiana Revised Statutes (LSA R S 33:2955). Under state law, the District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local Louisiana governments are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana which operates a local government investment pool.

- E Receivables - Customer's water charges are the District's major receivable. All receivables are reported at their gross value, and, where appropriate are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled customer water charges are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.
- F Capital Assets – Additions, improvements or other capital outlays that significantly extend the useful life of an asset are capitalized. Capital assets purchased or acquired by the District are reported at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Capital assets include property, plant, equipment, and distribution systems. The District maintains the following threshold levels for capitalizing assets:

Land	\$ 1
Land Improvements	\$10,000
Buildings	\$10,000
Construction in Progress	\$ 1
Machinery and Equipment	\$ 5,000
Vehicle	\$ 1,000
Distribution System	\$25,000
Furniture and Fixtures	\$ 5,000
Computer Hardware and Software	\$ 5,000

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Notes to the Financial Statements

July 31, 2011

1. Summary of Significant Accounting Policies (Continued):

F Capital Assets (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following useful lives depending upon the expected durability of the particular asset:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land	N/A
Building and Improvements	20-40 years
Equipment	5-10 years
Vehicle	5 years
Distribution System	25 years
Furniture and Fixtures	10 years
Computer Hardware and Software	5 years

- G Prepaid Expenses – Payments made to vendors for services that will benefit periods beyond July 31, 2011 are recorded as prepaid expenses.
- H Restricted Assets – Restricted assets include cash and cash equivalents and investments that are legally restricted as to their use. The restricted assets are related to bond covenants which require the District to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt and to purchase additional equipment and improvements and to customers' water deposits.
- I Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.
- J Fund Equity - Equity (the difference between assets and liabilities) is classified as net assets and is reported in three components:
- a Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Notes to the Financial Statements

July 31, 2011

1. Summary of Significant Accounting Policies (Continued):

J Fund Equity (Continued)

- b Restricted net assets – Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation
- c Unrestricted net assets – Consists of all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”

K Risk Management – The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees; and natural disasters. The District carries commercial insurance for the risk of loss including automobile liability, general liability, property damage, and workers compensation.

2. Cash and Cash Equivalents and Investments:

Cash and Cash Equivalents

At July 31, 2011, the District had cash and cash equivalents (book balances) totaling \$279,082 as follows:

Cash on hand	\$ 150
Demand deposits	268,929
Time deposits	10,003
	<u>\$ 279,082</u>

Investments

At July 31, 2011, the District had investments (book balances) totaling \$148,975 as follows:

Time Deposits	<u>\$148,975</u>
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These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the District in a holding or custodial bank that is mutually acceptable to both parties.

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Notes to the Financial Statements

July 31, 2011

2. Cash and Cash Equivalents (Continued):

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District's name.

The cash equivalents and investments of the District are subject to the following risks:

Custodial Credit Risk Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. At year end, the District had collected bank balances of \$440,222 which were fully protected by federal depository insurance.

Interest Rate Risk Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District's certificates of deposit have maturities of twenty-four months or less which limits exposure to fair value losses arising from rising interest rates.

Credit Risk Generally, credit risk is the risk that an issuer will not fulfill its obligation to the holder. The District's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

3. Receivables:

As of July 31, 2011, accounts receivable consist of the following:

Water sales - billed	\$ 124,841
Water sales- unbilled	<u>24,178</u>
Total	149,019
Less allowance for uncollectible	<u>(4,535)</u>
Net accounts receivable	<u>\$ 144,484</u>

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Notes to the Financial Statements

July 31, 2011

4. Capital Assets:

Capital assets and depreciation activity as of and for the year ended July 31, 2011 for the District is as follows

	Balance August 1, 2010	Additions	Deletions	Balance July 31, 2011
Capital assets not being depreciated				
Land	\$ 19,535	\$ -	\$ -	\$ 19,535
Capital assets being depreciated				
Buildings and improvements	110,491	-	-	110,491
Equipment	75,051	-	-	75,051
Distribution system	2,712,395	161,714	-	2,874,109
Total capital assets being depreciated	2,897,937	161,714	-	3,059,651
Less accumulated depreciation for				
Buildings and improvements	34,418	3,903	-	38,321
Equipment	45,568	5,449	-	51,017
Distribution system	1,179,504	90,125	-	1,269,629
Total accumulated depreciation	1,259,490	99,477	-	1,358,967
Total capital assets - net	\$ 1,657,982	\$ 62,237	\$ -	\$ 1,720,219

5. Long-Term Obligations:

The following is a summary of the long-term obligation transactions for the year ended July 31, 2011
Bonds and notes payable at July 31, 2011, are comprised of the following individual issues

	Beginning Balance	Additions	Reductions	Ending Balance
Series 2007 Water Revenue Bonds	\$ 1,200,000	\$ -	\$ (45,000)	\$ 1,155,000
URAF Agreement 07976	180,918	-	(34,207)	146,711
URAF Project 455-09-0003	-	94,201	-	94,201
Total	\$ 1,380,918	\$ 94,201	\$ (79,207)	\$ 1,395,912

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Notes to the Financial Statements

July 31, 2011

5. Long-Term Obligations (Continued):

Revenue Bonds

Water Revenue Bonds, Series 2007, interest 4 80%,
dated January 2, 2007, annual installments of \$50,000
to \$100,000 thereafter through 2026

\$ 1,155,000

Utility Relocation Assistance Funding Agreement
07976, non-interest bearing, dated July 13, 1990,
annual installments of \$21,592 through 2019

146,711

Utility Relocation Assistance Funding , I-49 Project
455-09-003, non-interest bearing

94,201

1,395,912

Less

Current portion of long-term debt

(71,592)

Total long-term debt

\$ 1,324,320

The total annual requirements to amortize all debt outstanding as of July 31, 2011, including interest payments of \$499,080 are as follows

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2007 Water Revenue Bonds			
2012	\$ 50,000	\$ 54,240	\$ 104,240
2013	50,000	51,840	101,840
2014	55,000	49,320	104,320
2015	55,000	46,680	101,680
2016	60,000	43,920	103,920
2017-2026	<u>885,000</u>	<u>253,080</u>	<u>1,138,080</u>
	<u>1,155,000</u>	<u>499,080</u>	<u>1,654,080</u>

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Notes to the Financial Statements

July 31, 2011

5. Long-Term Obligations (Continued):

	Principal	Interest	Total
URAF Agreement 07976			
2012	\$ 21,592	\$ -	\$ 21,592
2013	21,592	-	21,592
2014	21,592	-	21,592
2015	21,592	-	21,592
2016	21,592	-	21,592
2017-2019	38,751	-	38,751
	<u>146,711</u>	<u>-</u>	<u>146,711</u>
 URAF I-49 Project 455-09-003	 <u>94,201</u>	 <u>-</u>	 <u>94,201</u>
 Total	 <u>\$ 1,395,912</u>	 <u>\$ 499,080</u>	 <u>\$ 1,894,992</u>

6. Restricted Assets:

Certain resources set aside for repayment of bonded indebtedness and customers' utility deposits are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond ordinances or deposit agreements

Water revenue bonds are obligations of the District solely secured by a pledge of the net revenues of the water system. The revenue of the water system and the various special depository accounts established by the bond ordinances collateralize the bonds. The bond covenants provide that the revenue of the system is to be used first to pay operating and maintenance of the system and then to meet the funding covenants of the obligations. The District is required to make monthly deposits into depository accounts to satisfy the requirements of the related bond covenants to assure payment of principal and interest when due. Any remaining revenues may then be used for any lawful purpose.

The bond covenants of the water revenue bonds require the District to establish the following accounts:

Water System Revenue Fund – All water system revenues of every nature derived from the operation of the System are initially deposited into this account to provide for the payment of reasonable and necessary expenses of operating and maintaining the system.

Water Revenue Bond Sinking Fund – The District must transfer into this depository account on or before the 20th of each month, one twelfth of the principal and one-sixth of the interest due on the next principal and interest payment dates. Such transfers will be fully sufficient to promptly and fully pay principal and interest installments as they become due and may only be used for such payments.

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Notes to the Financial Statements

July 31, 2011

6. Restricted Assets (Continued):

Water Revenue Bond Reserve Fund – The District must transfer into this depository account an amount equal to the highest annual principal and interest payment (\$105,920). The moneys in the “Reserve Fund” shall be retained solely for the purpose of paying the principal and interest on all bonds payable from the “Sinking Fund” as to which there would otherwise be default. As of July 31, 2011, this depository account had a collected balance of \$119,401.

Water Revenue Bond Capital Additions and Contingencies Fund – The District is required to transfer from the “Revenue Fund” on or before the 20th of each month the remainder of revenues not required to be deposited into other funds as described above into a depository account to provide for additions and improvements, renewals, replacements and emergency repairs necessary to properly operate the system. These funds may also be used to pay interest and principal on the bonds for which there is not sufficient money in the “Sinking Fund” or “Reserve Fund”. However, the money in the “Contingencies Fund” shall never be used for the making of extensions, additions, improvements, renewals and replacements to the System if such use will leave less than \$50,000 for making emergency repairs or replacements.

7. Simplified Employee Pension Plan:

The District offers a simplified employee pension plan to provide retirement benefits for its employees. Under this plan, the District provides discretionary annual contributions to the participating individual employee's individual retirement account (IRA). Participants must be reasonably expected to receive at least \$5,000 in gross salary for the calendar year. The District's contributions to each employee are based on an equal percentage applied to their gross annual earnings. During the years ended July 31, 2011, 2010 and 2009, the District's contributions to the plan totaled \$3,530, \$3,400 and \$3,750, respectively.

8. Contingencies and Concentrations:

Lawsuits

The District is not currently named as defendant in any current or pending litigation.

Concentrations

The District's primary source of water to supply its customers is through a contract with the City of Shreveport, Louisiana, whereby water is provided by the City to the District. The loss of this water source or a significant reduction in the availability of water could have a material adverse effect on the District. The District believes that its relationship with the City of Shreveport is satisfactory.

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Notes to the Financial Statements

July 31, 2011

9. Related Party Transactions:

Procedures, observations, and inquiries did not disclose any material related party transactions for the year ended July 31, 2011

10. Subsequent Events:

Subsequent events have been evaluated through April 2, 2012, the date the financial statements were available to be issued

SUPPLEMENTARY INFORMATION

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Schedule of Commissioner's Compensation

For the Year Ended July 31, 2011

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No 54 of the 1979 Session of the Louisiana Legislature. The commissioners of the District receive a per diem of sixty dollars (\$60) for each meeting attended.

	<u>Meetings Attended</u>	<u>Pay Received</u>
Commissioners		
Curtis Davis- President	15	\$ 900
Leon Samuels- Vice President	16	960
Evelyn Thomas - Treasurer	16	960
Shirley Hamilton	16	960
Edwin Myers	16	960
Total		<u>\$ 4,740</u>

The terms of the District's commissioners are staggered with one commissioner's term ending each year.

See the accompanying independent auditor's report
Supplementary Schedule Presented for purposes of additional analysis only

**OTHER REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS AND
THE LOUISIANA GOVERNMENTAL AUDIT GUIDE**

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

The following independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements is presented in compliance with requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor

WILLIAM E. WEATHERFORD, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards**

The Board of Commissioners
Pine Hill Waterworks District No. 8 of the Parish of Caddo
Shreveport, Louisiana

I have audited the financial statements of the Pine Hill Waterworks District No. 8 of the Parish of Caddo, Shreveport, Louisiana, a component unit of the Caddo Parish Commission as of July 31, 2011, and have issued my report thereon dated April 2, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

POST OFFICE BOX 5946
PHONE 318-861-8612

SHREVEPORT LA 71135
FAX 318-861-8682

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit findings as item 11-1.

The District's response to the findings identified in my audit is included in the accompanying "Management's Corrective Action Plan." I did not audit the District's response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the board of commissioners of District, the Louisiana Legislative Auditor, and management and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is a public document and its distribution is not limited.

William E. Weatherford, CPA, LLC

William E. Weatherford, CPA, LLC
Certified Public Accountant
Shreveport, Louisiana
April 2, 2012

AUDIT FINDINGS

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Schedule of Findings

July 31, 2011

A. Summary of Auditor's Results

Financial Statements

- 1 The Auditor's report expresses an unqualified opinion on the financial statements
- 2 The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* reports no deficiencies related to internal control over financial reporting
- 3 The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* reports one (1) instance of noncompliance material to the financial statements
- 4 Management's Summary Schedule of Prior Findings is included in the financial statements
- 5 No Memorandum of Other Comments and Recommendations was issued
- 6 Management's Corrective Action Plan is included in the financial statements

B. Findings Relating to the Financial Statements Which are Required to be Reported Under *Government Auditing Standards*.

FINDINGS RELATED TO COMPLIANCE

Item: 11-1

Criteria or specific requirement:

Louisiana Revised Statute (LSA-R S) 24 513(A) (5) (a) requires "audits shall be completed within six months of the close of the entity's fiscal year"

Condition:

The District's annual financial audit was not completed and filed with the Louisiana Legislative Auditor on or before January 31, 2011

Questioned costs:

None

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Schedule of Findings

July 31, 2011

Context:

The District filed its annual financial statements with the Louisiana Legislative Auditor after the statutory due date

Effect:

The District is in non-compliance with Louisiana Revised Statute 24 513(A) (5) (a)

Cause:

The auditor was seriously ill which prevented timely completion of the audit

Recommendation:

The District should make every possible effort to complete the annual audit and file the required financial reports with the Louisiana Legislative Auditor on or before the January 31 due date

FINDINGS RELATED TO INTERNAL CONTROL

None

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Summary Schedule of Prior Audit Findings

July 31, 2011

FINDINGS RELATED TO COMPLIANCE

Item: 10-1

Criteria or specific requirement:

Louisiana Revised Statute (LSA-R S) 24 513(A) (5) (a) requires "audits shall be completed within six months of the close of the entity's fiscal year"

Condition:

The District's annual financial audit was not completed and filed with the Louisiana Legislative Auditor on or before January 31, 2011

Recommendation:

The District should make every possible effort to complete the annual audit and file the required financial reports with the Louisiana Legislative Auditor on or before the January 31 due date

Status:

Not resolved, see similar finding Item 11-1

FINDINGS RELATED TO INTERNAL CONTROL

Item: 10-2

Criteria or specific requirement:

Effective internal control requires a proper segregation of incompatible duties

Condition:

The District has only two employees performing substantially all significant accounting functions directly involved in the operation of the billing office. These duties include, but are not limited to, collecting payments for services, making deposits, paying bills, and updating the general ledger for both receipts and disbursements, posting utility billings and collections to the subsidiary customer records, preparing and mailing utility bills, making adjusting entries to the financial records, etc

Recommendation:

The District commissioners should perform procedures to mitigate the risk resulting from this material internal control weakness

PINE HILL WATERWORKS DISTRICT NO. 8

A Component Unit of the Caddo Parish Commission
Shreveport, Louisiana

Summary Schedule of Prior Audit Findings

July 31, 2011

Status:

Resolved



The management of the Pine Hill Waterworks District No 8 of the Parish of Caddo, Shreveport, Louisiana, submits the following corrective plan of action in response to the findings included in the Schedule of Findings. The responses are numbered consistently with the numbers assigned in the schedule.

FINDINGS RELATED TO COMPLIANCE

Item 11-1 – Timely filing of annual audit report.

The 2012 annual audited financial statements will be filed on or before January 31, 2013.